

REGULATION OF MEMBER OF BOARD OF GOVERNORS
NUMBER 22/14/PADG/2020
ON
PROCEDURE FOR LICENSING AND OPERATION OF
CENTRAL COUNTERPARTIES FOR OVER-THE-COUNTER
INTEREST RATE AND EXCHANGE RATE DERIVATIVE TRANSACTIONS

BY THE BLESSINGS OF ALMIGHTY GOD

MEMBER OF BOARD OF GOVERNORS OF BANK INDONESIA,

- Considering :
- a. that to achieve integrated, efficient, orderly, organized, and transparent financial market, a central counterparty is needed to conduct clearing and novation for over-the-counter interest rate and exchange rate derivative transactions;
 - b. that to establish a central counterparty with good governance and effective risk management, it is necessary to establish regulation on the licensing and operation of central counterparties for over-the-counter interest rate and exchange rate derivative transactions;
 - c. that based on the foregoing considerations as referred to in point a and point b, it is necessary to issue Regulation of Member of Board of Governors on Procedure for Licensing and Operation of Central Counterparties for Over-the-Counter Interest Rate and Exchange Rate Derivative Transactions;

Observing : Bank Indonesia Regulation Number 21/11/PBI/2019 on Central Counterparties for Over-the-Counter Interest Rate and Exchange Rate Derivative Transactions (State Gazette of the Republic of Indonesia of 2019 Number 159, Supplement to State Gazette of the Republic of Indonesia Number 6381);

HAS DECIDED:

To enact : REGULATION OF MEMBER OF BOARD OF GOVERNORS ON PROCEDURE FOR LICENSING AND OPERATION OF CENTRAL COUNTERPARTIES FOR OVER-THE-COUNTER INTEREST RATE AND EXCHANGE RATE DERIVATIVE TRANSACTIONS.

CHAPTER I

GENERAL PROVISIONS

Article 1

In this Regulation of Member of Board of Governors:

1. Interest Rate Derivative Transaction means a transaction under a payment contract or agreement whose value constitutes a derivative of an interest rate.
2. Exchange Rate Derivative Transaction means a transaction under a payment contract or agreement whose value constitutes a derivative of an exchange rate.
3. Over-the-Counter Interest Rate and Exchange Rate Derivative Transaction, hereinafter referred to as SBNT Derivative Transaction, means an Interest Rate and Exchange Rate Derivative Transaction conducted over-the-counter.
4. Central Counterparty for Over-the-Counter Interest Rate and Exchange Rate Derivative Transaction, hereinafter referred to as CCP SBNT, means an institution which interposes itself between parties conducting SBNT Derivative Transactions and acts as a buyer for a seller and as a seller for a buyer.
5. Novation or Debt Renewal, hereinafter referred to as Novation, means a process of termination of the initial contract between a buyer and a seller and substitution

with two new contracts, namely CCP SBNT and the buyer and CCP SBNT and the seller.

6. Clearing means a process after a transaction is made, the process of which covers reconciling, confirming, and calculating the rights and obligations of the parties, including netting calculation that shows the final position of the rights and obligations of the parties prior to settlements.
7. Member of CCP SBNT, hereinafter referred to as Member, means a party eligible for using Clearing services based on the criteria established by the CCP SBNT.
8. Financial Market Infrastructure means a multilateral system providing services for trade, clearing, settlement, reporting, and recording of payment, securities, derivative, and other financial transactions.
9. Bank means a commercial bank carrying on its business activities in a conventional manner as referred to in the Law on Banking and a commercial bank carrying on its business in adherence to sharia principles as referred to in the Law on sharia banking, including branch office of a bank overseas but excluding a Bank's office operating overseas.
10. Default Fund Contribution means funds deposited by a Member into CCP SBNT as part of risk mitigation in the event of the Member's default.
11. Initial Margin means funds and/or securities deposited by a Member when it aims to conduct an SBNT Derivative Transaction to mitigate potential change of the Member's position in the event of default.
12. Variation Margin means funds and/or securities deposited by a Member on exposures arising from the changing mark-to-market price of an SBNT Derivative Transaction.
13. General Meeting of Shareholders, hereinafter abbreviated to GMS, means a company organ which has authority not given to the board of directors or board of commissioners within limits specified in the Law on limited liability companies and/or articles of association.

14. Board of Directors means a company organ with full authority and responsibility for the management of the company in the interests of the company in accordance with the company's purposes and objectives and to represent the company in and out of court in accordance with the provisions of the articles of association.
15. Director in Charge of CCP SBNT means a member of the Board of Directors in control of CCP SBNT function.
16. Board of Commissioners means a company organ with the task of general and/or specific supervision in accordance with the articles of association and giving advice to the Board of Directors.
17. Independent Commissioner means a member of Board of Commissioners who does not have any financial, management, share ownership, and/or family relationship with other members of the Board of Commissioners, Board of Directors, and/or controlling shareholders or any other relationships which may affect its capability of acting independently.
18. Business Day means a business day of Bank Indonesia, excluding limited operational business days of Bank Indonesia.

CHAPTER II

LICENSING

Part One

Principal Approval

Part 1

Application for Principal Approval

Article 2

- (1) A party seeking a principal approval as CCP SBNT submits an application letter to Bank Indonesia by at least 1 (one) member of the Board of Directors.

- (2) Example of application letter for principal approval as CCP SBNT is included in the Appendix which constitutes an inseparable part of this Regulation of Member of Board of Governors.

Article 3

The application letter for principal approval as referred to in Article 2 paragraph (1) is equipped with the following supporting documents as requirements:

- a. copy of the deed of establishment approved by the authorized institution, including its last amendment, which has been approved by the competent institution or a receipt of notice of the amendment to the articles of association from the competent institution, which contain the articles of association and other information on company establishment;
- b. statement letter of one of the members of the Board of Directors containing information that shareholders have paid-up capital minimum of Rp200,000,000,000.00 (two hundred billion rupiah);
- c. share ownership data as follows:
 1. share ownership structure including the detailed amount of each share ownership; and
 2. status of shareholders, namely Indonesian citizen, Indonesian legal entity, foreign citizen, or foreign legal entity;
- d. list of members of Board of Commissioners which includes at least 1 (one) Independent Commissioner;
- e. list of members of Board of Directors, which includes at least 1 (one) candidate of Director or Director in Charge of CCP SBNT;
- f. organizational structure and plan for fulfillment of human resources;
- g. business plan for the first 3 (three) years;
- h. long-term strategic corporate plan;
- i. guideline concept as follows:
 1. implementation of governance;

- 2. risk management;
- 3. internal control system; and
- 4. plan for the information technology system used; and
- j. standard operational procedure.

Part 2

Principal Approval Processing

Article 4

- (1) In the event that, based on the review of Bank Indonesia, any supporting document, as referred to in Article 3 is deemed incomplete and/or inconsistent, Bank Indonesia will send a written notice to the party applying to complete and/or revise the supporting document.
- (2) The party applying must complete and/or revise the supporting document as referred to in paragraph (1) and submit it to Bank Indonesia within not later than 30 (thirty) Business Days as from the written notice submission by Bank Indonesia.
- (3) In the event that the period as referred to in paragraph (2) has surpassed, and the party applying has not submitted any completed and/or revised document, such party will be deemed to have canceled the application to obtain a principal approval as CCP SBNT.

Article 5

Bank Indonesia may ask the party applying, as referred to in Article 2 paragraph (1), to make a presentation on the overall CCP SBNT implementation plan.

Article 6

- (1) Bank Indonesia may approve or reject the principal approval application as referred to in Article 2 paragraph (1) by considering at least the following:
 - a. review result of completeness and compliance of documents;

- b. analysis result of the requirements as referred to in Article 3; and
 - c. confirmation result and/or information from the relevant and authorized institution, if necessary.
- (2) The approval or rejection of principal approval application, as referred to in paragraph (1), will be given not later than 90 (ninety) Business Days after supporting documents are deemed complete and consistent.

Article 7

- (1) The party that has obtained a principal approval as CCP SBNT must apply to Bank Indonesia for an operating license as CCP SBNT not later than 2 (two) years as from the principal approval as CCP SBNT issued by Bank Indonesia.
- (2) In the event that the period as referred to in paragraph (1) has surpassed, and the party has obtained a principal approval as CCP SBNT has not applied for an operating license as CCP SBNT, the principal approval as CCP SBNT as referred to in Article 6 declared ineffective.

Part Two

Requirements for an Independent Commissioner and Director in Charge of CCP SBNT

Article 8

- (1) Requirements for the integrity of an Independent Commissioner and Director in Charge of CCP SBNT include:
- a. has good moral which at least indicated by compliance with the applicable provisions, including has never served any punishment for committing any of the following crimes:
 - 1. crimes in the financial service sector, within the last 20 (twenty) years;
 - 2. crimes as specified in the Indonesian Criminal Code and/or any code similar thereto overseas

- which are subject to imprisonment of 1 (one) year or more, within the last 10 (ten) years; and/or
3. any other crimes which are subject to imprisonment of 1 (one) year or more, among others are corruption, money laundering, narcotics or psychotropic substances, smuggling, customs and excise, human trafficking, arms trafficking, terrorism, money counterfeiting, crimes in taxation, forestry, environment, marine, and fishery within the last 20 (twenty) years,
 - prior to nomination;
 - b. commits to comply with the applicable laws and regulations and support the policies of Bank Indonesia;
 - c. commits to domestic financial market development; and
 - d. is not included in a List of Unqualified Parties.
- (2) Requirements for competency of Director in Charge of CCP SBNT at least include knowledge and/or experience supporting the management of CCP SBNT.
 - (3) Requirements for financial aspect are at least evidenced with:
 - a. does not have any non-performing loan and/or financing; and
 - b. has never been declared insolvent and/or has never become the shareholder, non-shareholder controller, member of the Board of Directors, or member of Board of Commissioners who is found guilty of making a company insolvent within the last 5 (five) years prior to nomination.

Part Three Operating License

Part 1 Application for Operating License

Article 9

- (1) A party applying for an operating license as CCP SBNT submits an application letter to Bank Indonesia by at least 1 (one) member of the Board of Directors.
- (2) Example of operating license application letter as CCP SBNT is contained in the Appendix.

Article 10

The application letter for operating license as referred to in Article 9 paragraph (1) is equipped with the following supporting documents as requirements:

- a. copy of valid principal approval as CCP SBNT;
- b. evidence of fulfillment of minimum capital requirements as follows:
 1. the most recent financial statement; and/or
 2. evidence of capital fulfillment minimum of Rp400,000,000,000.00 (four hundred billion rupiah) to CCP SBNT account;
- c. provisions for CCP SBNT rule book;
- d. evidence of operational readiness which at least include the following:
 1. document on the readiness of organizational structure and human resources;
 2. document on user acceptance test result on the system used;
 3. document on the readiness of business sustainability management and disaster recovery plan; and
 4. document on standard operational procedure;
- e. copy of the deed of establishment of association approved by the authorized institution, including its last amendment, which has been approved by the authorized

institution or a receipt of notice of amendment to the articles of association from the authorized institution, which contain the articles of association and other information on company establishment containing:

1. requirements that appointment of an Independent Commissioner and Director in Charge of CCP SBNT must obtain the prior approval of Bank Indonesia; and
 2. organizational structure containing the composition of the Board of Commissioners and Board of Directors with at least 1 (one) Independent Commissioner and 1 (one) Director in Charge of CCP SBNT;
- f. list of members of Board of Commissioners and Board of Directors;
- g. data on Independent Commissioner and Director in Charge of CCP SBNT, equipped with:
1. copy of identity card in the form of a Resident's Identity Card or passport;
 2. curriculum vitae signed by the member;
 3. particularly for Director in Charge of CCP SBNT, copy of at least bachelor's degree diploma; and
 4. statement letter declaring that the member:
 - a) has never served any punishment for committing any crimes within a certain period as specified in Article 8 paragraph (1) letter a;
 - b) is committed to developing CCP SBNT;
 - c) is committed to performing duties and obligations to carry on business activities under the laws and regulations and support the policies of Bank Indonesia on the development of the domestic money market and foreign exchange market;
 - d) has no non-performing loan or financing;
 - e) has never been declared insolvent and/or has never become the shareholder, non-shareholder controller, member of Board of Directors, or member of Board of Commissioners who is found

guilty of making a company insolvent within the last 5 (five) years prior to nomination; and

- f) particularly for an Independent Commissioner, has no financial, management, share ownership, and/or family relationship with other members of the Board of Commissioners, Board of Directors, and/or controlling shareholders or any other relationships which may affect their ability to act independently,

as specified in the example in the Appendix;

- h. share ownership data, as follows:
 - 1. share ownership structure including the detailed amount of each share ownership; and
 - 2. status of shareholders, namely Indonesian citizen, Indonesian legal entity, foreign citizen, or foreign legal entity,
 in the event of change; and
- i. statement letter from one of the members of the Board of Directors declaring that the fund source used for capital fulfillment does not come from any loan or financing facility in any form and/or from and for money laundering as specified in the example in the Appendix.

Part 2

Operating License Processing

Article 11

- (1) In the event that, based on the review of Bank Indonesia, any supporting document as referred to in Article 10 is deemed incomplete and/or inconsistent, Bank Indonesia will send a written notice to the party applying to complete and/or revise the supporting document.
- (2) The party applying must complete and/or revise the supporting document as referred to in paragraph (1) and submit it to Bank Indonesia within not later than 30 (thirty) Business Days as from the written notice submission by Bank Indonesia.

- (3) In the event that the period as referred to in paragraph (2) has surpassed, and the party applying has not submitted any completed and/or revised document, such party will be deemed to have canceled the application to obtain an operating license as CCP SBNT.

Article 12

Bank Indonesia may make an on-site visit to a potential CCP SBNT to ensure its operational readiness.

Article 13

- (1) Bank Indonesia may approve or reject the operating license application as referred to in Article 9 paragraph (1) by considering at least the following:
 - a. review result of completeness and compliance of documents;
 - b. result of fit and proper test to ensure fulfillment of requirements for integrity, competency, and/or financial aspect for:
 1. Independent Commissioner; and
 2. Director in Charge of CCP SBNT; and
 - c. confirmation result and/or information from the relevant and authorized institution, if necessary.
- (2) Bank Indonesia may hold face-to-face confirmation of fulfillment of requirements for integrity, competency, and/or financial aspect for an Independent Commissioner and Director in Charge of CCP SBNT.
- (3) The approval or rejection of operating license application, as referred to in paragraph (1), will be given not later than 90 (ninety) Business Days after supporting documents are deemed complete and consistent.

Article 14

- (1) The party that has obtained an operating license as CCP SBNT, as referred to in Article 13 paragraph (3), is required to carry on its business activities not later than 60 (sixty) Business Days as from the operating license issuance date.

- (2) Implementation of the business activities as referred to in paragraph (1) is required to be reported by CCP SBNT to Bank Indonesia not later than 10 (ten) Business Days as from the date of operational activity implementation.
- (3) If after the period as referred to in paragraph (1), CCP SBNT fails to carry on its business activities, the operating license issued by Bank Indonesia declared ineffective.

Part Four

Change of Independent Commissioner and/or Director in Charge of CCP SBNT

Article 15

- (1) A CCP SBNT, which will change its Independent Commissioner and/or Director in Charge of CCP SBNT, submits an application letter to Bank Indonesia by at least 1 (one) member of the Board of Directors.
- (2) Application letter for change of Independent Commissioner and/or Director in Charge of CCP SBNT, as referred to in paragraph (1), is equipped with the required supporting documents as referred to in Article 10 point g.
- (3) Example of application letter for change of Independent Commissioner and/or Director in Charge of CCP SBNT is contained in the Appendix.

Article 16

- (1) In the event that, based on the review of Bank Indonesia, any supporting document as referred to in Article 15 paragraph (2) is deemed incomplete and/or inconsistent, Bank Indonesia will send a written notice to CCP SBNT to complete and/or revise the supporting document.
- (2) CCP SBNT must complete and/or revise the supporting document as referred to in paragraph (1) and submit it to Bank Indonesia within not later than 30 (thirty) Business Days as from the written notice submission by Bank Indonesia.

- (3) In the event that the period as referred to in paragraph (2) has surpassed, and CCP SBNT has not submitted any completed and/or revised document, the CCP SBNT will be deemed to have canceled the application.

Article 17

- (1) Bank Indonesia may approve the application for change of Independent Commissioner and/or Director in Charge of CCP SBNT as referred to in Article 15 paragraph (1) by considering at least the following:
 - a. result of fit and proper test to ensure fulfillment of requirements for integrity, competency, and financial aspect; and
 - b. confirmation result and/or information from the relevant and authorized institution, if necessary.
- (2) Bank Indonesia may hold face-to-face confirmation of fulfillment of requirements for integrity, competency, and/or financial aspect for an Independent Commissioner and Director in Charge of CCP SBNT.
- (3) The approval or rejection of application for change of Independent Commissioner and/or Director in Charge of CCP SBNT, as referred to in paragraph (1), will be given not later than 60 (sixty) Business Days after supporting documents are deemed complete and consistent.

Article 18

An Independent Commissioner and/or Director in charge of CCP SBNT, which has not obtained the approval of Bank Indonesia, may not perform any actions, duties, and functions as an Independent Commissioner and/or Director in Charge of CCP SBNT despite the approval given and appointment by the GMS.

Part Five
Corporate Actions

Article 19

- (1) CCP SBNT that conducts any of the following corporate actions:
 - a. merger;
 - b. consolidation;
 - c. acquisition; and/or
 - d. demerger,is required to obtain the approval of Bank Indonesia.
- (2) CCP SBNT, which conducts the corporate actions as referred to in paragraph (1), submits an application letter for corporate action to Bank Indonesia, which is submitted by at least 1 (one) member of the Board of Directors.
- (3) Application letter for corporate action as referred to in paragraph (2) is equipped with the following supporting documents:
 - a. copy of minutes of GMS on the corporate action resolution;
 - b. targeted time of the corporate action;
 - c. share ownership data, as follows:
 1. share ownership structure including the detailed amount of each share ownership; and
 2. status of shareholders, namely Indonesian citizen, Indonesian legal entity, foreign citizen, or foreign legal entity,in the event of share ownership change due to the corporate action; and
 - d. name of Independent Commissioner and/or Director in Charge of CCP SBNT equipped with the required supporting documents as referred to in Article 10 point g, in the event of change of Independent Commissioner and/or Director in Charge of CCP SBNT due to the corporate action.
- (4) Example of corporate action application letter by CCP SBNT is contained in the Appendix.

Article 20

In the event CCP SBNT conducts the following corporate actions:

- a. merger, then:
 1. CCP SBNT which does not result from a merger will apply for operating license revocation as CCP SBNT; and
 2. the surviving company may carry on its business activities as CCP SBNT without re-applying an operating license;
- b. consolidation, then:
 1. each CCP SBNT which consolidates will apply for operating license revocation as CCP SBNT to Bank Indonesia; and
 2. CCP SBNT, formed out of consolidation, will apply for a license as CCP SBNT to Bank Indonesia;
- c. acquisition, then the acquired CCP SBNT may carry on its activities as CCP SBNT without having to re-apply for a license; or
- d. demerger, then:
 1. CCP SBNT, which conducts pure demerger, will apply for an operating license revocation as CCP SBNT to Bank Indonesia;
 2. The CCP SBNT, which conducts partial demerger, may carry on its activities as CCP SBNT without having to re-apply for a license; and
 3. a company formed out of demerger is required to obtain a prior license from Bank Indonesia to be able to carry on activities as CCP SBNT.

Article 21

- (1) In the event that, based on the review of Bank Indonesia, any supporting document as referred to in Article 19 paragraph (3) is deemed incomplete and/or inconsistent, Bank Indonesia will send a written notice to CCP SBNT to complete and/or revise the supporting document.

- (2) CCP SBNT must complete and/or revise the supporting document as referred to in paragraph (1) and submit it to Bank Indonesia within not later than 30 (thirty) Business Days as from the written notice submission by Bank Indonesia.
- (3) In the event that the period as referred to in paragraph (2) has surpassed, and CCP SBNT has not submitted any completed and/or revised document, the application for the corporate action will be deemed to be canceled.

Article 22

- (1) Bank Indonesia will inform an approval or rejection of the corporate action application by letter by considering at least the following:
 - a. review result of completeness and compliance of documents;
 - b. result of fit and proper test to ensure fulfillment of requirements for integrity, competency, and/or financial aspect for:
 - 1. Independent Commissioner; and/or
 - 2. Director in Charge of CCP SBNT,
 in the event of change of Independent Commissioner and/or Director in Charge of CCP SBNT; and
 - c. confirmation result and/or information from the relevant and authorized institution, if necessary.
- (2) Bank Indonesia will grant approval or rejection of the corporate action application as referred to in paragraph (1) not later than 60 (sixty) Business Days after supporting documents are deemed complete.
- (3) CCP SBNT must start a corporate action not later than 60 (sixty) Business Days from the date of the corporate action approval issuance by Bank Indonesia.

CHAPTER III

CAPITAL MAINTENANCE

Article 23

- (1) CCP SBNT must maintain capital minimum of Rp400,000,000,000.00 (four hundred billion rupiah).
- (2) The capital, as referred to in paragraph (1), is capital specified in the audited quarterly financial statement and/or annual financial statement.

Article 24

- (1) CCP SBNT with capital below Rp400,000,000,000.00 (four hundred billion rupiah) is required to fulfill the capital shortage within not later than 1 (one) year since it is revealed that the capital is below Rp400,000,000,000.00 (four hundred billion rupiah).
- (2) In addition to the obligation as referred to in paragraph (1), CCP SBNT with capital below Rp400,000,000,000.00 (four hundred billion rupiah) is also obliged to submit the following:
 - a. the latest capital statement;
 - b. action plan for capital fulfillment which at least includes:
 1. mechanism and phases of minimum capital fulfillment;
 2. fund source for capital fulfillment; and
 3. other matters necessary to be reported to Bank Indonesia.
- (3) The latest capital statement, as referred to in paragraph (2) point a, must be submitted to Bank Indonesia not later than 15 (fifteen) calendar days in the following month after the capital decrease.
- (4) The action plan for capital fulfillment, as referred to in paragraph (2) point b, will be submitted to Bank Indonesia not later than 3 (three) months since the capital decrease to below Rp400,000,000,000.00 (four hundred billion rupiah).

Article 25

- (1) In the event that, based on the review of Bank Indonesia, the action plan for capital fulfillment as referred to in Article 24 paragraph (2) point b is deemed incomplete and/or inconsistent, Bank Indonesia will send a written notice to the party applying to complete and/or revise the action plan for capital fulfillment.
- (2) CCP SBNT must complete and/or revise the supporting document as referred to in paragraph (1) and submit it to Bank Indonesia within not later than 30 (thirty) Business Days as from the written notice submission by Bank Indonesia.

Article 26

Bank Indonesia will inform an approval for the action plan for capital fulfillment as referred to in Article 24 paragraph (2) point b by letter not later than 30 (thirty) Business Days after the action plan for capital fulfillment is deemed complete and/or consistent.

CHAPTER IV

OBLIGATIONS OF CCP SBNT

Article 27

CCP SBNT is required to apply corporate governance, which at least conducted in the following manners:

- a. has a purpose of prioritizing security and efficiency of CCP SBNT, financial system stability, and public interest;
- b. has a document on the roles and responsibilities of Director in Charge of CCP SBNT;
- c. has a procedure for identifying, addressing, and managing conflicts of interest between Members;
- d. Director in Charge of CCP SBNT must have sufficient capability and experience to support the duty implementation;
- e. has a document on the roles and responsibilities of CCP SBNT management; and

- f. CCP SBNT must disclose all adopted strategic decisions to the authority, Members, shareholders, and the public.

Article 28

- (1) CCP SBNT is required to have a risk management framework which at least includes:
 - a. policy, procedure, and system of risk management which can identify, measure, monitor, and manage different risks incurred and taken by CCP SBNT; and
 - b. business sustainability management and disaster recovery plan.
- (2) The risk management framework, as referred to in paragraph (1), is transparently published on the official page of CCP SBNT.
- (3) CCP SBNT must evaluate the risk management framework as referred to in paragraph (1) at least once a year.

Article 29

- (1) CCP SBNT will implement effective credit risk management through a credit risk management framework which at least consists of:
 - a. requirements for Members;
 - b. trading limit; and
 - c. Initial Margin and Variation Margin.
- (2) The credit risk management as referred to in paragraph (1) is applied at least in the following manners:
 - a. identifying, measuring, monitoring, and managing credit risk;
 - b. applying sufficient procedure and mechanism on default waterfall in the event any Member default;
 - c. allocating CCP SBNT capital of at least Rp100,000,000,000.00 (one hundred billion rupiah) as part of the default waterfall;
 - d. maintaining adequate financial sources to meet liquidity requirements for credit exposure to Members;

- e. requesting Initial Margin and Variation Margin in the form of cash and/or high-quality securities to Members;
 - f. applying valuation and haircut method for Initial Margin and Variation Margin in the form of securities based on the prudential principle;
 - g. applying the concentration limit of securities for Initial Margin and Variation Margin; and
 - h. applying effective Initial Margin and Variation Margin system.
- (3) Bank Indonesia may request CCP SBNT to adjust the capital allocation as referred to in paragraph (2) point c by considering the risk profile and/or condition of CCP SBNT activities.

Article 30

- (1) CCP SBNT is required to apply effective liquidity risk management.
- (2) The liquidity risk management as referred to in paragraph (1) is applied at least in the following manners:
 - a. identifying, measuring, monitoring, and managing liquidity risk;
 - b. maintaining liquidity adequacy for payment of securities settlement, Variation Margin, and other payments; and
 - c. assessing liquidity source adequacy through scenario analysis and/or stress test in a periodic manner.

Article 31

In implementing business risk management effectively, CCP SBNT must maintain the adequacy of net liquid assets to anticipate the potential business loss of at least in the same amount as operational cost for 6 (six) months.

Article 32

For the implementation of effective custody risk management, CCP SBNT must:

- a. evaluate and understand exposure to the custodian; and
- b. have access to securities submitted by Members.

Article 33

- (1) CCP SBNT is required to apply effective investment risk based on the prudential principle.
- (2) CCP SBNT invests in instruments with low credit, market, and liquidity risk.

Article 34

- (1) CCP SBNT is required to apply effective operational risk management.
- (2) The operational risk management, as referred to in paragraph (1), is applied at least in the following manners:
 - a. identifying, measuring, monitoring, and managing operational risk;
 - b. having adequate information technology to support operational activities of CCP SBNT and communication network which meets the principles of confidentiality, integrity, and availability; and
 - c. having a business sustainability management and disaster recovery plan.
- (3) The information technology and communication network, as referred to in paragraph (2) point b, must be periodically audited.
- (4) The business sustainability management and disaster recovery plan, as referred to in paragraph (2) point c, must support CCP SBNT to conduct settlement not later than at the end of the day in the event of failure or force majeure.

Article 35

- (1) CCP SBNT is required to ensure that the settlement of obligations arising from SBNT Derivative Transactions is final.

- (2) The settlement, as referred to in paragraph (1), takes place at the end of the day of value date.
- (3) If required, CCP SBNT may conduct intraday or real-time settlement.

Article 36

- (1) CCP SBNT conducts cash settlement in rupiah using rupiah funds of CCP SBNT's account in Bank Indonesia (central bank money).
- (2) CCP SBNT conducts cash settlement in foreign currency by using foreign currency funds of CCP SBNT's account in commercial bank.
- (3) In the event that settlement is conducted by using funds of CCP SBNT's account in commercial bank as referred to in paragraph (2), CCP SBNT must manage settlement, credit, and liquidity risk.

Article 37

- (1) CCP SBNT is required to have the policy and procedure to manage Member default.
- (2) The policy and procedure, as referred to in paragraph (1), must be prepared to ensure that CCP SBNT is able to take measures to manage losses, handle liquidity pressure, and meet obligations.
- (3) CCP SBNT must publish the policy and procedure as referred to in paragraph (1) to Members.
- (4) CCP SBNT must conduct testing and review of the procedure to manage Member default by involving Members and stakeholders in a periodic manner.

Article 38

- (1) CCP SBNT is required to have the policy and procedure for segregation and portability of transaction position, Default Fund Contribution, Initial Margin, and Variation Margin of Members.
- (2) CCP SBNT may determine segregation and portability at Member or customer level.

- (3) CCP SBNT must ensure that transaction position, Default Fund Contribution, Initial Margin, and Variation Margin of defaulting Member may be transferred to one or more Members.

Article 39

- (1) CCP SBNT is required to determine the objective, risk-based, and transparent criteria and requirements to become a Member.
- (2) The criteria and requirements for becoming a Member, as referred to in paragraph (1), must follow the principle of security and efficiency of CCP SBNT and publicly disclosed.
- (3) CCP SBNT must monitor compliance of Members with the requirements.
- (4) CCP SBNT must determine sanction imposition procedure in the form of suspension or dismissal against any Member which breaches and/or fails to meet requirements as a Member.

Article 40

- (1) CCP SBNT must provide effective and efficient SBNT Derivative Transactions services for Members.
- (2) CCP SBNT must have a mechanism to review the effectiveness and efficiency of the services provided, as referred to in paragraph (1).

Article 41

- (1) CCP SBNT is required to submit complete and transparent information on:
 - a. rights and obligations of Members and CCP SBNT;
 - b. CCP SBNT rule book;
 - c. fees;
 - d. SBNT Derivative Transactions data; and
 - e. other information related to membership in CCP SBNT.

- (2) The rights and obligations of Members and CCP SBNT, as referred to in paragraph (1) point a, are specified in regulation on CCP SBNT.
- (3) CCP SBNT rule book as referred to in paragraph (1) point b at least contain:
 - a. criteria and requirements for becoming a Member;
 - b. mechanism for customer protection and dispute resolution;
 - c. clear policy and procedure to manage Member default; and
 - d. policy and procedure for segregation and portability of transaction position, Default Fund Contribution, Initial Margin, and Variation Margin of Members.
- (4) The fees, as referred to in paragraph (1) point c, must be described clearly.
- (5) The SBNT Derivative Transactions data, as referred to in paragraph (1) point d, will be provided by considering the principle of individual data confidentiality under the laws and regulations.

CHAPTER V

CONNECTIVITY OF CCP SBNT

Part One

Connectivity at the Request of Bank Indonesia

Article 42

In the event that CCP SBNT interconnects with any Financial Market Infrastructure, market operator, and/or other infrastructures at the request of Bank Indonesia, the CCP SBNT reports the interconnection implementation to Bank Indonesia not later than 10 (ten) Business Days after the interconnection implementation date.

Part Two
Connectivity on the Initiative of CCP SBNT

Article 43

- (1) In the event that CCP SBNT plans to interconnect with any Financial Market Infrastructure, market operator, and/or other infrastructures, the CCP SBNT submits an application letter for interconnection approval to Bank Indonesia by at least 1 (one) member of the Board of Directors.
- (2) The application letter for interconnection approval, as referred to in paragraph (1), is equipped with the following supporting documents:
 - a. agreement or draft agreement; and
 - b. analysis and mitigation of risks arising from interconnection.
- (3) An example of application letter for interconnection approval with Financial Market Infrastructure, market operator, and/or other infrastructures is contained in the Appendix.

Article 44

- (1) In the event that, based on the review of Bank Indonesia, any supporting document as referred to in Article 43 paragraph (2) is deemed incomplete and/or inconsistent, Bank Indonesia will send a written notice to the party applying to complete and/or revise the supporting document.
- (2) CCP SBNT must complete and/or revise the supporting document as referred to in paragraph (1) and submit it to Bank Indonesia within not later than 30 (thirty) Business Days as from the written notice submission by Bank Indonesia.
- (3) In the event that the period as referred to in paragraph (2) has surpassed, and CCP SBNT has not submitted any completed and/or revised document, the CCP SBNT will be

deemed to have canceled the application for interconnection approval.

Article 45

- (1) Bank Indonesia will approve or reject the application for interconnection approval not later than 30 (thirty) Business Days after supporting documents are declared complete and consistent.
- (2) CCP SBNT will report interconnection implementation to Bank Indonesia not later than 10 (ten) Business Days after the interconnection implementation date.

CHAPTER VI

INDIRECT MEMBERS OF CCP SBNT

Article 46

- (1) In managing risks arising from customers who are indirect Clearing members, CCP SBNT must request basic information from the customers.
- (2) CCP SBNT must know the transaction positions, Initial Margin, and Variation Margin of customers who are indirect Clearing members.

CHAPTER VII

INITIAL MARGIN AND VARIATION MARGIN

Article 47

- (1) In credit risk management, CCP SBNT may request Initial Margin and Variation Margin to Members in the following forms:
 - a. cash; and/or
 - b. securities.
- (2) CCP SBNT applies the model and parameter of Initial Margin that sufficient to cover losses arising from Member default.
- (3) CCP SBNT must mark-to-market the Member's positions at least once a day.

Article 48

- (1) Initial Margin and/or Variation Margin in the form of securities, as referred to in Article 47 paragraph (1) point b, must be liquid with low credit, market, and liquidity risk.
- (2) CCP SBNT determines the valuation method and haircut of securities as referred to in paragraph (1) by considering the market condition.
- (3) CCP SBNT determines the concentration limit to mitigate the market risk of securities, as referred to in paragraph (1).
- (4) CCP SBNT will periodically evaluate the valuation method and haircut as referred to in paragraph (2) and the concentration limit, as referred to in paragraph (3).

CHAPTER VIII

REPORT SUBMISSION PROCEDURE

Article 49

- (1) CCP SBNT is required to submit the following reports to Bank Indonesia:
 - a. periodic reports; and
 - b. incidental reports.
- (2) The periodic reports, as referred to in paragraph (1) point a, consist of:
 - a. daily and monthly operational reports on SBNT Derivative Transactions;
 - b. quarterly and audited annual financial statements;
 - c. minutes of annual GMS;
 - d. reports on stress test results; and
 - e. annual evaluation reports on compliance with the Principles for Financial Market Infrastructure.
- (3) The incidental reports as referred to in paragraph (1) point b consist of:
 - a. reports on Member default;
 - b. minutes of extraordinary GMS;
 - c. reports on the change of CCP SBNT members;

- d. reports on sanction imposition by CCP SBNT on Members;
- e. reports on particular events, including:
 - 1. breach of the law;
 - 2. dispute with Members;
 - 3. sanction imposition by other authorities;
 - 4. events that cause operational disruption;
 - 5. rating decrease; and
 - 6. capital decrease below the minimum capital in the form of report on the latest capital condition;
- f. reports on the opening of additional services for Members which have obtained approval from the relevant authority; and
- g. other reports determined by Bank Indonesia.

Article 50

- (1) The daily operational reports on SBNT Derivative Transactions, as referred to in Article 49 paragraph (2) point a, contain Clearing results and transaction settlements submitted daily not later than at the end of Business Day on the report date.
- (2) The monthly operational reports on SBNT Derivative Transactions, as referred to in Article 49 paragraph (2) point a, contain:
 - a. recapitulation of activities within the corresponding month;
 - b. development statistics of Clearing and settlement volume; and
 - c. default waterfall condition,
 are submitted monthly not later than 10 (ten) Business Days after the end of the reporting month.
- (3) The quarterly financial statements, as referred to in Article 49 paragraph (2) point b contain the end of a quarter financial position submitted not later than 20 (twenty) Business Days after the end of the quarter.
- (4) The audited annual financial statements, as referred to in Article 49 paragraph (2) point b, contain the annual

financial position audited by a public accountant, submitted not later than 4 (four) months after the end of the annual reporting period.

- (5) The minutes of annual GMS, as referred to in Article 49 paragraph (2) point c, will be submitted to Bank Indonesia not later than 10 (ten) Business Days after a GMS is held.
- (6) The reports on stress test results, as referred to in Article 49 paragraph (2) point d, will be submitted to Bank Indonesia not later than 10 (ten) Business Days after a stress test is completed.
- (7) The annual evaluation reports on compliance with the Principles for Financial Market Infrastructure, as referred to in Article 49 paragraph (2) point e, will be submitted to Bank Indonesia not later than 20 (twenty) Business Days after the reports are issued.

Article 51

- (1) The incidental reports, as referred to in Article 49 paragraph (3), will be submitted to Bank Indonesia not later than 5 (five) Business Days after an event occurs.
- (2) The submission period of the incidental reports, as referred to in paragraph (1), is exempted for submission of reports on particular events in the form of capital decrease, as referred to in Article 49 paragraph (3) point e point 6.
- (3) The statement of capital decrease below the minimum capital as referred to in paragraph (2) will be submitted to Bank Indonesia not later than 15 (fifteen) calendar days in the following month after the capital decrease.

Article 52

- (1) CCP SBNT will submit to Bank Indonesia the reports, as referred to in Article 49 paragraph (1), online.
- (2) The online reports, as referred to in paragraph (1), are submitted by CCP SBNT by referring to the provisions of Bank Indonesia for online report submission.
- (3) In the event of online reports, as referred to in paragraph (2), are unavailable, the reports, as referred to in Article 49

paragraph (1), shall be submitted offline.

CHAPTER IX

SANCTION IMPOSITION MECHANISM

Article 53

- (1) In the event that any CCP SBNT, any other party assigned by Bank Indonesia for inspection, and/or any parties breach the provisions of Bank Indonesia Regulation on Central Counterparties for Over-the-Counter Interest Rate and Exchange Rate Derivative Transactions, Bank Indonesia will impose an administrative sanction in the form of a written warning.
- (2) CCP SBNT imposed with the administrative sanction in the form of a written warning as referred to in paragraph (1) that:
 - a. breaching the same provisions for 3 (three) consecutive times within 1 (one) calendar year; or
 - b. breaching some provisions for 5 (five) times within 1 (one) calendar year,
 shall be subject to suspension of its activities as CCP SBNT for 6 (six) months.
- (3) In the event that the CCP SBNT, which is sanctioned with the suspension as referred to in paragraph (2), does not suspend its activities as CCP SBNT within not later than 1 (one) month after the date of suspension letter, Bank Indonesia will revoke the operating license of the CCP SBNT.

Article 54

- (1) Any CCP SBNT, which is sanctioned with the suspension as referred to in Article 53 paragraph (2) and the business license revocation as referred to in Article 53 paragraph (3), may not act as a CCP SBNT for new SBNT Derivative Transactions.
- (2) Any CCP SBNT, which is sanctioned with the suspension as referred to in Article 53 paragraph (2), may act as a CCP

SBNT for new SBNT Derivative Transactions after the suspension period ends.

- (3) Any CCP SBNT, sanctioned with the suspension as referred to in Article 53 paragraph (2) and the business license revocation as referred to in Article 53 paragraph (3), must continue conducting the Clearing and risk management of the current SBNT Derivative Transactions unless:
 - a. the current SBNT Derivative Transactions have been settled through early termination; or
 - b. the position of current SBNT Derivative Transactions has been transferred to another CCP SBNT.

CHAPTER X CORRESPONDENCE

Article 55

- (1) Correspondence on licensing is addressed to:
Departemen Jasa Perbankan, Perizinan, dan Operasional
Tresuri
Bank Indonesia
Jalan M. H. Thamrin No. 2 Central Jakarta
- (2) Correspondence on arrangement in this Regulation is addressed to:
Departemen Pengembangan Pasar Keuangan
Bank Indonesia
Jalan M. H. Thamrin No. 2 Central Jakarta
Email: perizinan_pk@bi.go.id.
- (3) Correspondence on reporting is addressed to:
Departemen Surveilans Sistem Keuangan
Bank Indonesia
Jalan M. H. Thamrin No. 2 Central Jakarta
- (4) In the event of change of the correspondence details as referred to in paragraph (1), paragraph (2), and paragraph (3), Bank Indonesia will notify it to CCP SBNT by letter.

CHAPTER XI
CLOSING PROVISIONS

Article 56

This Regulation of Member of Board of Governors comes into force on 1 June 2020.

In order that every person may know here of, it is ordered to promulgated this Regulation of Members of Board of Governors by its placement in the State Gazette of the Republic of Indonesia.

Issued in Jakarta
on 28 May 2020

MEMBER OF BOARD OF GOVERNORS,

(signed)

DESTRY DAMAYANTI

ELUCIDATION
OF
REGULATION OF MEMBER OF BOARD OF GOVERNORS
NUMBER 22/14/PADG/2020
ON
PROCEDURE FOR LICENSING AND OPERATION OF
CENTRAL COUNTERPARTIES FOR OVER-THE-COUNTER INTEREST RATE
AND EXCHANGE RATE DERIVATIVE TRANSACTIONS

I. GENERAL

To develop and increase domestic financial market credibility through the establishment of a central counterparty for Clearing of SBNT Derivative Transactions, Bank Indonesia has issued Regulation of Bank Indonesia Number 21/11/PBI/2019 on Central Counterparties for Over-the-Counter Interest Rate and Exchange Rate Derivative Transactions (CCP SBNT).

CCP SBNT is needed to support financial market development, primarily SBNT Derivative Transactions, by decreasing credit risk through the takeover of credit risks faced by sellers and buyers, reduce market segmentation, decrease interconnectedness, increase transparency, and increase the efficiency of SBNT Derivative Transactions. For proper CCP SBNT operation in Indonesia, it is necessary to issue provisions for CCP SBNT licensing and operation procedures.

II. ARTICLE BY ARTICLE

Article 1

Sufficiently clear.

Article 2

Sufficiently clear.

Article 3

Sufficiently clear.

Article 4

Sufficiently clear.

Article 5

Sufficiently clear.

Article 6

Paragraph (1)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Relevant and authorized institutions, among others, are the
Otoritas Jasa Keuangan (OJK) or the Ministry of Trade.

Paragraph (2)

Sufficiently clear.

Article 7

Sufficiently clear.

Article 8

Paragraph (1)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

The term “List of Unqualified Parties” means a list

administered by the authorized authority specified in the provisions for fit and proper test.

Paragraph (2)

Experience in supporting CCP SBNT management, among others, is experienced in the money market, foreign currency market, including derivative transactions, which among others shown by treasury certificate ownership.

Paragraph (3)

Sufficiently clear.

Article 9

Sufficiently clear.

Article 10

Sufficiently clear.

Article 11

Sufficiently clear.

Article 12

Sufficiently clear.

Article 13

Paragraph (1)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Relevant and authorized institutions, among others, are the Otoritas Jasa Keuangan (OJK) or the Ministry of Trade.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Article 14

Sufficiently clear.

Article 15

Sufficiently clear.

Article 16

Sufficiently clear.

Article 17

Paragraph (1)

Point a

Sufficiently clear.

Point b

Relevant and authorized institutions, among others, are the Otoritas Jasa Keuangan (OJK) or the Ministry of Trade.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Article 18

The term “actions, duties, and functions as an Independent Commissioner and/or Director in Charge of CCP SBNT” among others, include representing a CCP SBNT in making decisions that are legally binding to the CCP SBNT and/or making important decisions affecting the financial condition of CCP SBNT.

Article 19

Paragraph (1)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Demerger as a corporate action may take the forms of pure demerger or partial demerger.

The term “pure demerger” means all of the assets and liabilities of the company to pass by operation of law to 2 (two) or more other transferee companies and the company demerging its business expires by operation of law.

The term “partial demerger” means part of the assets and liabilities of the company to pass by operation of law to one or more other transferee companies, but the demerging company remains in existence.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Article 20

Sufficiently clear.

Article 21

Sufficiently clear.

Article 22

Paragraph (1)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Relevant and authorized institutions, among others, are the Otoritas Jasa Keuangan (OJK) or the Ministry of Trade.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Article 23

Paragraph (1)

The term “capital” means paid-up capital, profit (loss) balance, and other capital components.

Paragraph (2)

Sufficiently clear.

Article 24

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Example:

In the event that a decrease in capital occurs in the financial statement position as of 31 May 2020, CCP SBNT is required to report such capital decrease not later than 15 June 2020.

Paragraph (4)

Sufficiently clear.

Article 25

Sufficiently clear.

Article 26

Sufficiently clear.

Article 27

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Point f

The term “authority” means Bank Indonesia, the Otoritas Jasa Keuangan (OJK), or the Ministry of Trade.

Article 28

Sufficiently clear.

Article 29

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

The allocation of CCP SBNT capital of Rp100,000,000,000.00 (one hundred billion rupiah) accounts for 25% (twenty-five percent) of the minimum capital of CCP SBNT.

Use of CCP SBNT capital allocation in default waterfall is conducted before the Default Fund Contribution of non-defaulting Members.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Point f

Sufficiently clear.

Point g

The term “concentration limit” means a limit determined by CCP SBNT to limit the issuer of securities and/or the types of securities received as Initial Margin and Variation Margin.

Point h

The term “effective” means the proper Initial Margin and Variation Margin system for each product, portfolio, and financial market according to the classes of assets to be cleared.

Paragraph (3)

Sufficiently clear.

Article 30

Sufficiently clear.

Article 31

Business risk includes loss due to incorrect business strategy, negative cash flow, and other contingencies.

Article 32

Sufficiently clear.

Article 33

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Investments by CCP SBNT are not intended as the primary source of revenue but to maintain liquidity adequacy to meet financial obligations punctually.

Article 34

Sufficiently clear.

Article 35

Paragraph (1)

The term “final” means a settlement may not be canceled and revoked.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Article 36

Funds of CCP SBNT means Member’s fund managed by CCP SBNT.

Article 37

Paragraph (1)

An example of policy and procedure to manage Member default is the default waterfall mechanism's policy and procedure.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Article 38

Sufficiently clear.

Article 39

Sufficiently clear.

Article 40

Paragraph (1)

The term “effective” means the capability of CCP SBNT to meet its obligations punctually and fulfill the principle of security in carrying on its activities.

The term “efficient” means the capability of CCP SBNT to calculate an efficient cost and benefit of services provided, among others are options of Clearing and settlement types (gross, net, or hybrid), types of products to be Cleared, and the use of communication technology.

Paragraph (2)

Sufficiently clear.

Article 41

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

The provided data on SBNT Derivative Transactions, among others, the volume and value of transactions per asset class in aggregate.

Article 42

Sufficiently clear.

Article 43

Sufficiently clear.

Article 44

Sufficiently clear.

Article 45

Sufficiently clear.

Article 46

Paragraph (1)

The basic information includes the company name, address, and contact person of the customer as an indirect Clearing member.

Paragraph (2)

Sufficiently clear.

Article 47

Sufficiently clear.

Article 48

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

The term “concentration limit” means a limit determined by CCP SBNT to limit the issuer of securities and/or the types of securities received as Initial Margin and Variation Margin.

Article 49

Sufficiently clear.

Article 50

Sufficiently clear.

Article 51

Sufficiently clear.

Article 52

Sufficiently clear.

Article 53

Sufficiently clear.

Article 54

Sufficiently clear.

Article 55

Sufficiently clear.

Article 56

Sufficiently clear.